BARBER-GREENE ANNUAL REPORT 1970

DIRECTORS

H. A. BARBER, *Chairman and President*

EDWARD McC. BLAIR, *Managing Partner,* William Blair & Company, Chicago, Illinois

ANTHONY S. GREENE, *Executive Vice President*

WILLIAM A. GREENE, *Vice President, Secretary*

URBAN HIPP, *Vice President, Treasurer*

EDWARD H. HOLT, *Vice President*

JOHN C. REID, *Partner* in Law Firm of Ivins, Phillips & Barker, Washington, D. C.

OFFICERS

H. A. BARBER, *President and Chairman*

ANTHONY S. GREENE, *Executive Vice President*

WILLIAM A. GREENE, *Vice President and Secretary*
Administration

URBAN HIPP, *Vice President and Treasurer*
Finance

EDWARD H. HOLT, *Vice President*

FRANK J. MERRILL, *Vice President*
Operations

MERRILL E. OLSON, *Vice President*
Sales

JAKE R. SMITH, *Vice President*
General Manager, Telsmith Division

JOHN D. TURNER, *Vice President*
Publicity and Promotion

JOHN F. VOGEL, *Assistant Secretary and Assistant Treasurer*

DIVISIONS

Barber-Greene Overseas
Aurora, Illinois

Telsmith
Milwaukee, Wisconsin

WHOLLY-OWNED SUBSIDIARIES

Barber-Greene Americas, Inc.
Aurora, Illinois

Barber-Greene Australia Pty. Limited
Sydney, Australia

Barber-Greene Canada Limited
Don Mills, Ontario

B-G-S Engineering, Inc.
Chicago, Illinois

OTHER SUBSIDIARIES

Barber-Greene do Brasil Ind. e Com. S/A
Sao Paulo, Brazil

Barber-Greene England Limited
Bury St. Edmunds, England

Barber-Greene Europa, N.V.
Zwolle, The Netherlands

Barber-Greene de Mexico, S.A.
Mexico, D.F., Mexico

TRANSFER AGENT

FIRST NATIONAL BANK OF CHICAGO, CHICAGO, ILLINOIS

REGISTRAR

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST CO., CHICAGO, ILLINOIS

BARBER-GREENE COMPANY

ANNUAL STOCKHOLDERS' MEETING
400 N. Highland Avenue, Aurora, Illinois
2:30 p.m. Chicago Time
Tuesday, December 8, 1970

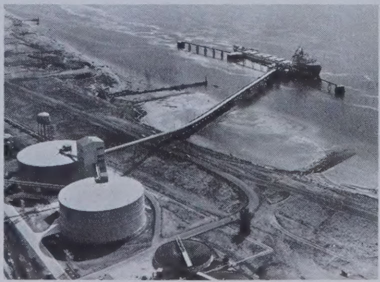
CORPORATE OFFICES, AURORA, ILLINOIS, 60507

HIGHLIGHTS

	FISCAL YEAR ENDED August 29, 1970	August 30, 1969
Net Sales	$65,238,252	$65,048,976
Earnings before extraordinary credit	$ 518,654	$ 675,862
Extraordinary credit	74,875	
Net Earnings	593,529	675,862
Earnings per share*		
Earnings before extraordinary credit	.51	.67
Extraordinary credit	.07	
Net Earnings	.58	.67
Cash dividends		1,015,178
Dividends per share		1.00
Stockholders' equity	28,754,153	28,160,624**
Book value per share	28.32	27.74**
Working capital	24,455,830	24,591,519**
Additions to plant and equipment (gross)	683,052	978,188
Depreciation	862,633	882,981
Number of employees	2,440	2,420
Number of stockholders	2,408	2,519

*Per share figures are based on the weighted average number of shares outstanding in each year. This weighted number of shares outstanding was 1,015,178 during fiscal 1970 and 1969.
**As Restated (See Note K to financial statements on page 13)

COVER PHOTO
The half-million-dollar Barber-Greene material handling system at Reynolds Metals Company's aluminum reduction plant near Longview, Washington, was designed and erected by Bechtel Corporation. Photo shows ship unloading conveyors which carry alumina from dock to storage on shore at 1,500 tons per hour. Conveyors in Barber-Greene system total 4,000 ft. in length.



TO THE STOCKHOLDERS OF BARBER-GREENE

Net sales for fiscal 1970 were $65,238,252, compared to net sales for fiscal 1969 of $65,048,976 — a slight increase.

Net earnings after the extraordinary credit for fiscal 1970 were $593,529, or 58 cents per share compared to the prior year's net earnings of $675,862, or 67 cents per share.

Net earnings before the extraordinary credit were $518,654, or 51 cents per share.

The extraordinary credit resulted principally from our decision to relocate the operations of Barber-Greene Canada, Ltd., to a more economical area for heavy manufacturing. Eighteen years ago, farm land was purchased in the Don Mills area in greater Toronto and buildings were erected. The subsequent development of a complete community of high-rise apartments, shopping centers, and light industry created a local situation that became too expensive. A sale of the land and buildings at Don Mills was consummated, including an agreement that we would move from the premises by December 31, 1972.

The Canadian sale would have had a net increase effect on the Statement of Earnings of 40 cents a share, but a $300,000 reserve was established as an offset to relocation expenses that will be incurred in the future; thereby reducing the extraordinary credit to 11 cents a share. There will be an additional extraordinary tax offset benefit at the 15 cents per share level when the actual relocation expenses are applied against the reserve, and when earnings from operations permit realization of the resulting tax benefit. Thus a conservative approach was taken to the accounting for this extraordinary transaction.

An extraordinary charge resulting from the sale of a division of a majority controlled domestic company was netted with the Canadian transaction for the extraordinary credit of $74,875, or 7 cents per share.

The U. S. domestic operations this past year were handicapped by the concentration of activity and disruptions during the last two quarters. We did not obtain the shipments during the first two off-season quarters that had been anticipated. This appeared to be accentuated by our customers' uncertainty in the direction of the national economy and, particularly, the announced curtailment of Federal and State funds for highways and other public works.

Confidence strengthened in the spring, but then our production came under severe pressures creating high premium costs, aggravated by the three-month trucking strike in the Chicago area during the peak period.

The seasonal imbalance is illustrated by the fact that average net sales per week during the last two quarters were 83% higher than the average during the first two quarters.

Our planned inventory reduction program also was handicapped by the same disruptions and uncertainties. We are confident that new controls that are being installed in the vital inventory areas will enable us to progressively and significantly release a portion of the capital tied up in inventory.

In spite of the disappointing earnings for the year, there have been encouraging developments. A younger management team, led by Executive Vice President A. S. Greene, has been streamlining the organization and operating policies. Significant reductions have been made in overhead areas to counteract the inflationary increases. New priorities have emerged.

It was stated in our last Annual Report that we would pursue a cautious policy during fiscal 1970 on the Excavator, the revolutionary high capacity earthmoving tool that has been under development at considerable expense during recent years. The year was devoted to solidifying the field operating experience on existing machines, clarifying the job economics compared to alternative techniques, and refining design details to provide more reliable production for the contractor. It has been encouraging to have four prominent contractors purchase Excavators after each had extensive operating experience with the machine on their own earthmoving projects.

The year has shown that the Excavator can perform day after day at high capacity levels and that the inherently high maintenance costs for this type of machine still permit significant over-all job cost savings. The emphasis this coming year will be to further solidify this field knowledge and acceptance, preparatory to expanded operations in the future.

Two Reclaimers (similar to Excavators) were shipped this past year — one for a large port coal handling installation in Ohio and one for a salt shiploading installation in Mexico; the latter to expand capacity and back up an earlier unit that had been operating over the past three years.

The field reception of our new high capacity Model SB-50 Asphalt Finisher was particularly gratifying. Over one million dollars of sales and shipments of this new model were obtained in the months following the spring introduction.

We are directing our major efforts this coming year to our basic product lines and markets, and believe that we are developing more strength in these expanding areas for Barber-Greene. Needs for larger and more sophisticated equipment are being accelerated by the rapid rise in labor costs in the construction industry, forcing the contractor to seek more efficient production tools.

National and international awareness of environmental issues is creating new demands for our line of air pollution control equipment for asphalt plants, crushing plants, and allied equipment. At the same time, we are becoming increasingly enthused about our opportunities in new but associated markets to our basic product lines.

A pictorial review of some of the typical Barber-Greene product installations follows this message. Space does not permit covering all of the interesting applications that result from our broad line of products serving basic heavy bulk material processing industries.

A separate discussion on page 14 covers our vital International Operations.

The untimely death of G. L. Smith last May was reported in our third quarter stockholders' report. Mr. Smith served long and with distinction as a Director and Vice President of Barber-Greene and President of the Telsmith Division. The Board vacancy thus created was not filled and the Directors voted to amend the Bylaws to provide for eight Directors. Jake R. Smith (no relationship), with twenty years of Telsmith experience, has been appointed a Vice President and the General Manager of Telsmith.

We are most appreciative of the contribution Mr. E. P. Berg has made as a member of the Board during the past eight years and are sorry to announce his retirement and that he will not be a candidate for Director at the forthcoming Annual Stockholders' Meeting.

Barber-Greene, like most industries, faces uncertainty in the year ahead because of the unclear economic climate. We have planned on the basis of a tight first six months with a gradual expansion of the economy in the last half of our fiscal year. However, orders and inquiries during the first eight weeks of this new year have been exceeding our expectations in many of our product lines.

We are fully conscious of the severe impact that the recent depressed earning levels and the high short-term debt levels, with the resulting omission of dividends, has had on Barber-Greene stockholders. It will not be easy to regain our position under the current economic conditions, but every effort is being expended by the directors, officers, and employees for the earliest possible achievement of reasonable goals. We have been extremely fortunate in having an especially loyal group and are confident that their efforts will achieve the desired results.

H A Barber

CHAIRMAN AND PRESIDENT

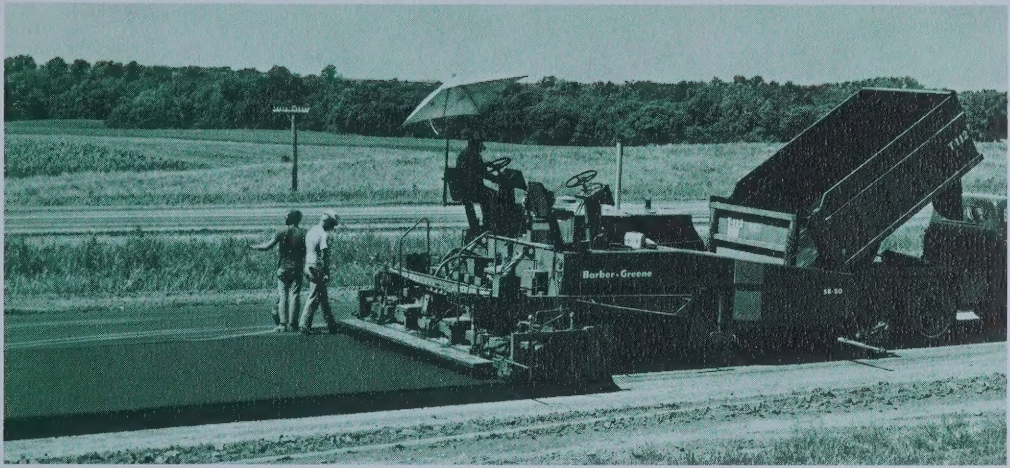
October 30, 1970

PICTORIAL REVIEW

Largest ditcher in our line is the TA-77, which has recently had its digging range extended to 66″ wide and 8½′ deep. One of Canada's largest contractors purchased two of these machines this year for a 70-mile section of the Trans-Canada Pipeline.

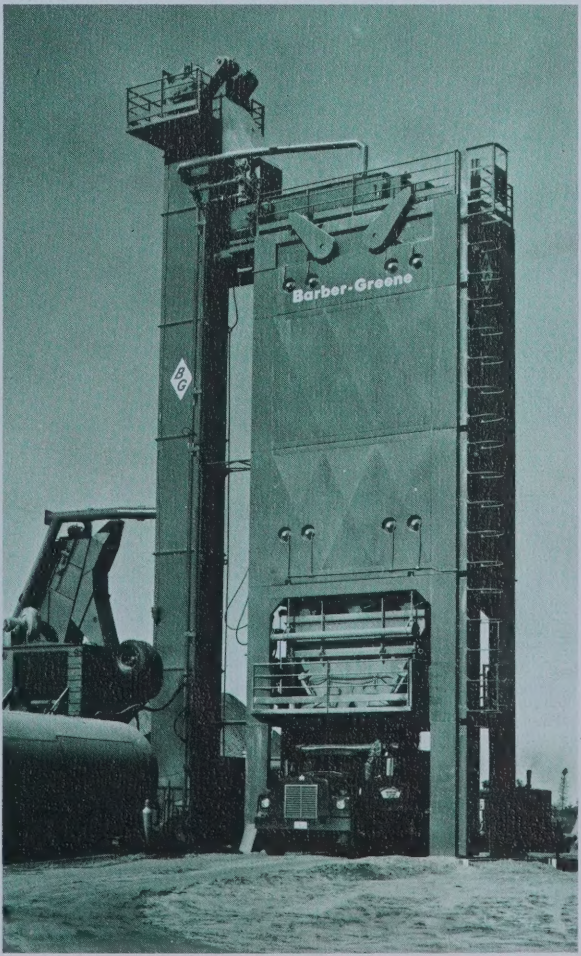
Asphalt plant sales continued at a high level during the past year. This Batchpac, considered one of the most modern plants in Canada, is shown during the open house held to mark its official opening.

Barber-Greene had total responsibility for the design, manufacture, erection, and start-up of this six-conveyor, $750,000 coal handling system which began operation this summer for a major West Virginia coal producer. The long conveyor in the foreground, shown during erection, carries coal a half mile down a mountain from the mine to the processing plant at 550 tons per hour.



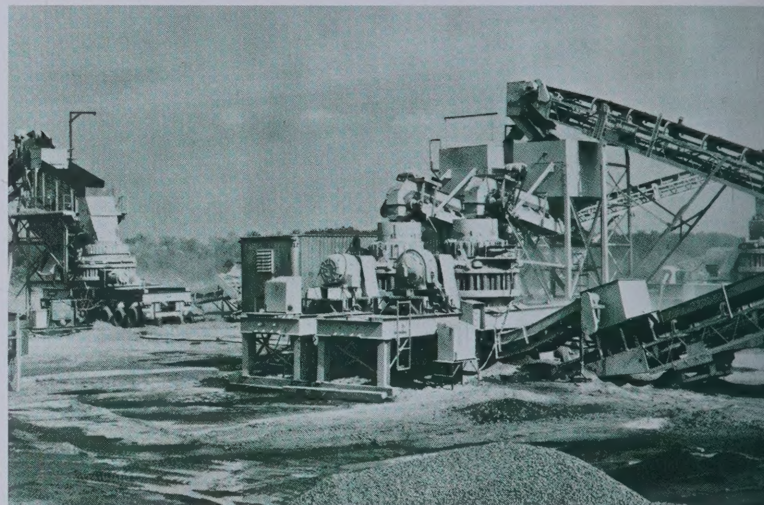
This SB-50 Finisher set a new world's record by placing nearly 10,000 tons of mix in a single day on an Interstate paving project in Minnesota. A sketch of this new development appeared on the cover of last year's annual report, and the machine was announced to the field early this year.

This huge Barber-Greene radial stacker is part of a Hanna Coal Company unit-train loading facility in Ohio. It is 167 ft. long and stores thousands of tons of coal in a radial pile at 600 tons per hour.



The surge plant, introduced this year, represents a new concept in asphalt plants. It combines the high production of a continuous mixer with high-capacity storage bins that permit the operator to meet peak demands at capacities far in excess of plant output.

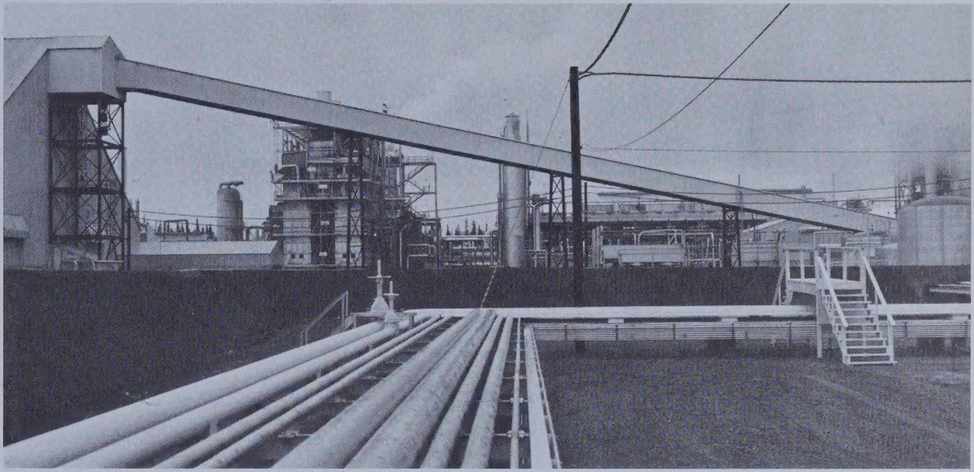
PICTORIAL REVIEW CONTINUED



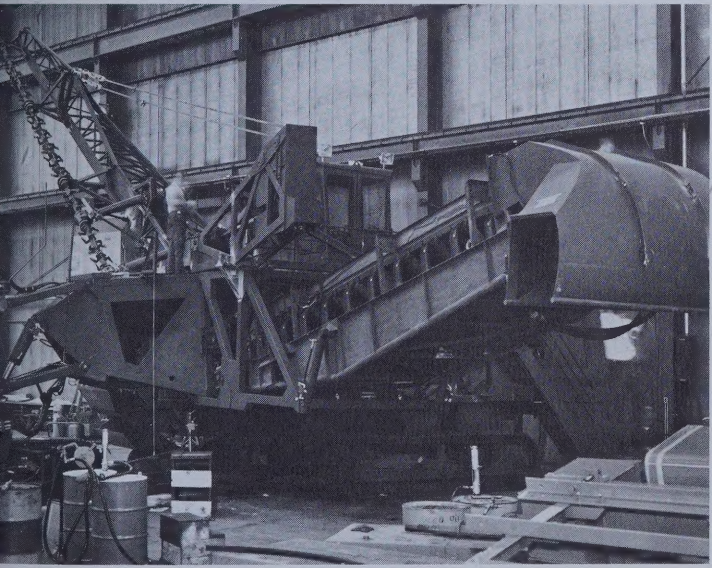
Four large Telsmith portable crushers, operating in a single installation in Maryland, illustrate the tremendous market for portable aggregate equipment. Two are VFC crushers, introduced two years ago, which have become the accepted means of reducing surplus stockpiles to finer, salable sizes.

The largest portable aggregate plants ever built have been sold by Telsmith to a Wisconsin producer. Weighing 153,000 lbs. each, the two plants each consist of a 66″ Gyrasphere Crusher and 5′ x 16′ horizontal screen mounted on a single chassis. Photo shows one of the units at the Milwaukee Plant during final checkout prior to shipment.

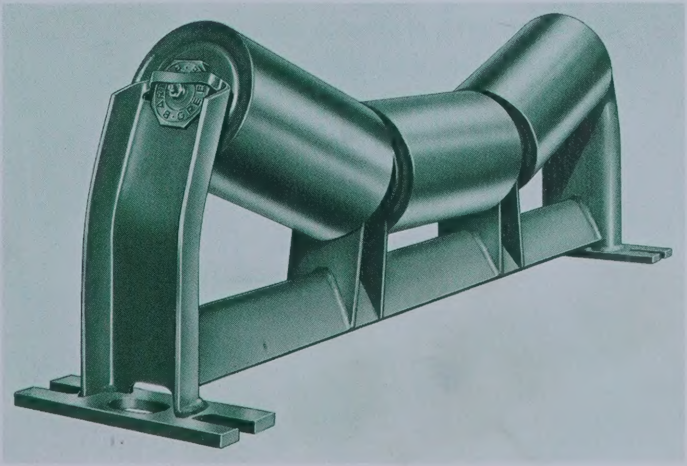
The second Excavator purchased by Cook Construction Company, of Jackson, Mississippi, is shown working on a major runway extension project at the Atlanta Airport. More than 23 million yards will be moved by November, 1972. The Excavator is working 20 hours a day, six days a week, and handling over 2,000 yards an hour.



Barber-Greene supplied the complete half-million-dollar materials handling system for this urea prill plant in Kenai, Alaska, owned by Collier Carbon and Chemical Corporation, the chemicals arm of Union Oil Company of California.



This wheel reclaimer, shown during assembly at our DeKalb Plant, is the second purchased by Exportadora de Sal for high-capacity reclaiming of solar salt on an island off the coast of Baja California, Mexico. The reclaimers are part of a complete Barber-Greene system which has stockpiled, reclaimed, and loaded millions of tons of salt into ships in the three years since it went into operation.



The unique seal on our new series of belt conveyor idlers appears to have eliminated the most frequent cause of idler failure. Nothing we have tested yet has caused failure of these new idlers. Under the most adverse conditions imaginable, they have outperformed any other idlers we have ever tested, and nothing has penetrated the seal.

CONSOLIDATED STATEMENTS OF

EARNINGS AND RETAINED EARNINGS

	FISCAL YEAR ENDED August 29, 1970	FISCAL YEAR ENDED August 30, 1969
Net Sales	$65,238,252	$65,048,976
Cost of goods sold	45,562,071	44,550,597
Distributors' discounts and commissions	7,430,224	8,003,311
Selling, administrative and product development expenses	11,890,778	12,319,359
	64,883,073	64,873,267
Earnings from operations	355,179	175,709
Other income, net (Note H)	2,073,969	2,128,047
	2,429,148	2,303,756
Interest expense	1,768,494	1,426,894
Earnings before income taxes and extraordinary credit	660,654	876,862
Provision for income taxes (Note I)	142,000	201,000
Earnings before extraordinary credit	518,654	675,862
Extraordinary credit — principally sale of plant (Note C)	74,875	
Net Earnings (Note J)	593,529	675,862
Retained earnings, beginning of year		
As previously reported	20,752,693	21,092,009
Adjustment (Note K)	23,000	23,000
As restated	20,729,693	21,069,009
	21,323,222	21,774,871
Cash dividends — $1 per share in 1969		1,015,178
Retained earnings, end of year	$21,323,222	$20,729,693
Earnings per share of common stock (Note L)		
Earnings before extraordinary credit	$ .51	$ .67
Extraordinary credit	.07	
Net Earnings	$ .58	$ .67

The notes on Page 13 are an integral part hereof.

CONSOLIDATED BALANCE SHEETS

ASSETS	August 29, 1970	August 30, 1969
CURRENT ASSETS		
Cash	$ 4,252,018	$ 3,634,393
Trade receivables, less unearned finance charges and allowance for losses (Note B)	13,215,576	11,848,416
Refundable income taxes	859,765	654,311
Inventories, at the lower of cost (principally last-in, first-out) or market	24,234,104	24,222,117
Other (Note C)	527,714	597,235
Total Current Assets	43,089,177	40,956,472
NOTES RECEIVABLE, TRADE, less unearned finance charges	1,951,027	1,410,958
MORTGAGE NOTE RECEIVABLE (Note C)	883,800	
PROPERTY, PLANTS AND EQUIPMENT, at cost		
Land	361,373	438,441
Buildings and property improvements	10,081,176	11,600,006
Machinery	10,373,226	10,068,282
General equipment	1,993,341	1,940,065
	22,809,116	24,046,794
Less accumulated depreciation and amortization	13,353,254	13,114,422
	9,455,862	10,932,372
INVESTMENTS IN AND ADVANCES TO AFFILIATES (Note D)	2,585,377	2,693,657
OTHER ASSETS	532,451	142,663
Total	$58,497,694	$56,136,122

LIABILITIES AND STOCKHOLDERS' EQUITY	August 29, 1970	August 30, 1969
CURRENT LIABILITIES		
Notes payable	$12,168,500	$11,471,875
Accounts payable	3,165,324	1,683,299
Accrued liabilities	2,548,530	2,319,558
Income taxes (Note E)	750,993	890,221
Total Current Liabilities	18,633,347	16,364,953
RESERVE FOR PLANT RELOCATION (Note C)	300,000	
DEFERRED INCOME TAXES (Note E)	1,264,194	1,396,045
REVOLVING LOANS (Note F)	4,000,000	4,168,500
LONG-TERM LIABILITIES (Note F)	5,546,000	6,046,000
STOCKHOLDERS' EQUITY (Note G)		
Common stock, $5 par value; authorized 2,000,000 shares, outstanding 1,015,178 shares	5,075,890	5,075,890
Paid-in surplus	2,355,041	2,355,041
Retained earnings (Note K)	21,323,222	20,729,693
Total Stockholders' Equity	28,754,153	28,160,624
Total	$58,497,694	$56,136,122

The notes on Page 13 are an integral part hereof.

CONSOLIDATED STATEMENTS OF

RESOURCES PROVIDED AND APPLIED

	FISCAL YEAR ENDED August 29, 1970	August 30, 1969
RESOURCES PROVIDED		
Net earnings for the year	$ 593,529	$ 675,862
Add charges (credits) to earnings not requiring expenditure of funds:		
Depreciation	862,633	882,981
Deferred taxes	(131,851)	219,053
Reserve for plant relocation	300,000	
	1,624,311	1,777,896
Decrease in investments and advances to affiliates	108,280	
Net book value of Canadian property and plant sold ($1,278,752) less non-current portion of mortgage note received	394,952	
Decrease in long-term notes receivable		35,758
Proceeds from additional revolving loan		70,500
Other decreases		12,470
	2,127,543	1,896,624
RESOURCES APPLIED		
Additions to property, plant and equipment, net	664,875	946,324
Increase in long-term notes receivable	540,069	
Reduction in long-term liabilities and revolving loans	668,500	500,000
Payment of cash dividends		1,015,178
Increase in investments and advances to affiliates		318,048
Other increases, net	389,788	
	2,263,232	2,779,550
DECREASE IN WORKING CAPITAL	$ 135,689	$ 882,926

The notes on Page 13 are an integral part hereof.

INDEPENDENT AUDITORS' REPORT

To the Stockholders,

Barber-Greene Company.

We have examined the consolidated balance sheet of BARBER-GREENE COMPANY and consolidated subsidiaries as of August 29, 1970 and the related consolidated statements of earnings and retained earnings and resources provided and applied for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the financial statements of the company and consolidated subsidiaries for the fiscal year ended August 30, 1969.

In our opinion, the accompanying balance sheets and related statements of earnings and retained earnings and resources provided and applied present fairly the consolidated financial position of Barber-Greene Company and consolidated subsidiaries at August 29, 1970 and August 30, 1969 and the consolidated results of their operations and resources provided and applied for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis except for the changes, in which we concur, in the determination of pension costs as described in Note (J) to the financial statements.

Chicago, Illinois
October 30, 1970

LYBRAND, ROSS BROS. & MONTGOMERY

NOTES TO FINANCIAL STATEMENTS

A. The consolidated financial statements include the accounts of all wholly-owned domestic and Canadian subsidiaries. In translating the accounts of the Canadian subsidiary to United States dollars, the property and equipment and related accumulated depreciation are translated at rates in effect at the time the assets were acquired, all other assets and liabilities at the rate in effect at the balance sheet date, and operations at the rates in effect throughout the year adjusted to reflect depreciation at historical dollar amounts. The 1970 translation resulted in an unrealized gain of $195,049 which is included in other income, net, thus partially offsetting prior provisions for unrealized losses charged against income.

B. Trade receivables include notes, principally from installment sales, of $2,492,456 at August 29, 1970 and $2,647,837 at August 30, 1969. Trade receivables at August 29, 1970 also include approximately $570,000 unbilled under major contracts as to which revenues are recorded proportionately as the work under the contracts progresses (percentage of completion basis).

C. During fiscal 1970, the Company decided to relocate its Canadian manufacturing facilities and sold the Canadian property and plant (subject to lease-back arrangements through December, 1972) preparatory to the establishment of new facilities in Canada. The proceeds from the sale comprised principally a mortgage note receivable, of which $245,000 is due within one year and is included in other current assets; the balance is due in August, 1975.

The following is a summary of the effect of the plant sale:

Loss on sale of plant, less non-taxable gain on sale of property	($159,272)
Tax benefit from loss on sale of plant	567,986
Provision for relocation costs	(300,000)
Net gain—extraordinary credit	$108,714

The relocation costs will be available when actually incurred to offset Canadian taxable income. No recognition has been given in the financial statements to the potential tax benefits, approximately $150,000 at current Canadian tax rates.

The extraordinary credit in the statement of earnings and retained earnings includes the above gain less a loss of $33,839 on the sale of a division of the majority owned domestic company.

D. The Company's investment ($244,824) in a majority owned domestic company is carried at cost, adjusted to reflect its equity in the net earnings subsequent to acquisition of control. The changes in equity are included in other income, net, or extraordinary credit, as appropriate. The remaining investments are in foreign affiliates and are stated at cost. The company's equity in the net assets of the foreign affiliates, as shown by their June 30, 1970 financial statements, exceeded the investment by $2,125,000 at August 29, 1970. Such excess increased approximately $370,000 for 1970 and $360,000 for 1969. Dividends of $270,203 and $414,968 received during the respective years are included in other income, net.

E. For income tax purposes, the domestic companies defer income on installment sales and report it proportionately as payments are received. The parent company and Canadian subsidiary compute depreciation on the basis of guideline lives and accelerated methods authorized by the respective governments while continuing to use for book purposes the straight line method on depreciable lives previously established.

Provision has been made in the current income tax liability for the taxes ($522,533—1970; $582,519—1969) deferred on the currently receivable portion of installment notes and major contracts accounted for on a percentage of completion basis, and in deferred income taxes for the remaining amounts deferred. Deferred income taxes at August 29, 1970 also include $147,069 of investment credit which is being amortized over the useful lives of the related assets.

F. The revolving loan is due February 10, 1972 and bears interest at one-quarter of one percent over the prime rate.

Long-term liabilities consist of:

6½% subordinated debentures due November, 1986, convertible into common stock at the rate of one share for each $19.25 principal amount of debentures	$2,796,000
5.3% note, payable $250,000 semi-annually	3,250,000
	$6,046,000
Less current maturities included in current notes payable	500,000
	$5,546,000

The debenture agreement requires, commencing on November 1, 1972, annual redemption of debentures of $150,000 reduced at the election of the Company by the amount, if any, of debentures previously converted to common shares or redeemed or reacquired by the Company. At August 29, 1970, accumulated debenture conversions of $204,000 were available to defer sinking fund redemptions should the Company so elect.

G. A total of 145,261 shares of common stock has been reserved for the conversion of the subordinated debentures.

The agreements relating to the long-term debt contain covenants which, among other things, restrict the payment of dividends and require the maintenance of net current assets at a specified amount. Under the most restrictive of the covenants, retained earnings of approximately $4,500,000 were available for the payment of cash dividends at August 29, 1970.

H. Other income, net, is comprised of:

	1970	1969
Dividends from foreign affiliates	$ 270,203	$ 414,968
Engineering fees and royalties from foreign affiliates and others	1,253,176	1,176,814
Unrealized gain on Canadian exchange	195,049	
Increase (decrease) in equity in majority owned domestic company	(65,434)	40,964
Other, principally interest	420,975	495,301
	$2,073,969	$2,128,047

I. The low effective income tax rate reflects principally foreign tax credits, the non-taxable gain on Canadian exchange in fiscal 1970, and the flow through of investment tax credit in fiscal 1969.

J. The companies' employee retirement program provides non-contributory pension benefits, based on years' of service, to substantially all employees. Additional benefits are available on a contributory basis.

The companies' policy is to fund pension costs accrued which amounted to $451,215 (including $127,000 in costs applicable to benefits increased during the year) in fiscal 1970 and $533,026 in fiscal 1969. In fiscal 1970, the companies changed the amortization of prior service costs from periods ranging from 25 to 30 years to periods ranging from 25 to to 40 years, and the actuarial assumption as to unrealized appreciation of fund assets. Without these accounting changes, the 1970 pension expense would have been approximately $667,000 and net earnings would have been decreased by $112,000 or $.11 per share of common stock.

At the most recent actuarial valuation, the fund assets exceeded the actuarially computed value of vested benefits.

K. The balance of retained earnings at the beginning and end of fiscal 1969 has been reduced by $23,000 from the amounts previously reported to reflect provisions of $143,000 for prior years' United States income taxes resulting from the adjustment of foreign tax credits and the elimination of unneeded provisions of $120,000 for prior year's Canadian income taxes upon settlement of questions relating to the deductibility of certain exchange losses. To reflect this restatement, refundable income taxes at August 30, 1969 have been reduced by $50,972, current income tax liabilities increased by $92,028 and deferred income taxes reduced by $120,000.

L. Earnings per share of common stock are based on the weighted average shares outstanding during the respective years. Conversion of the subordinated debentures into 145,261 common shares would have had no dilutive effect on fiscal 1970 and 1969 earnings.

INTERNATIONAL OPERATIONS

Activity at our overseas manufacturing affiliates continued at an exceptionally high level during the year, and fees and dividends from our associated companies overseas have added substantially to our income. Our consolidated statements do not include our percentage of their increase in retained earnings.

Barber-Greene do Brasil has had another outstanding record year in both sales and profit, with shipments over 26% higher than in the previous year. Profits reached a good level despite excessively tight governmental price controls which gradually narrowed marginal income. The major expansion of both shop and office has been completed, more than doubling production floor space, and many new machine tools and other shop equipment have been installed.

Particularly noteworthy has been the tremendous demand for Telsmith crushing plants produced in Brazil. These sales have been a major factor in this subsidiary's volume this past year, since asphalt plant sales were considerably lower due to postponement of the federal roadbuilding program. During the year, Brazil also shipped its first exports, two small asphalt plants to Argentina and Chile and a larger plant to Uruguay. Another large plant will be shipped soon to Argentina.

Barber-Greene England's shipments for the fiscal year remained at approximately the same level as the previous year, which was 23% higher than the year earlier. Earnings, although relatively high, were somewhat below budget because of high interest and warranty costs. The increase in asphalt finisher production, reported on last year, has been a key factor in maintaining the high level of sales. Plans for production of the SB-50 Finisher in England are well along, and the machine will be unveiled for contractors in England and the rest of Europe at the British Public Works Show to be held in London in November.

In a major management change, Mr. Frank LeDez, formerly Vice President of Barber-Greene Canada Ltd. and Toronto Plant Manager, has been named Deputy Managing Director of Barber-Greene England, and we are now further integrating management responsibility for all of our European activity under Barber-Greene England.

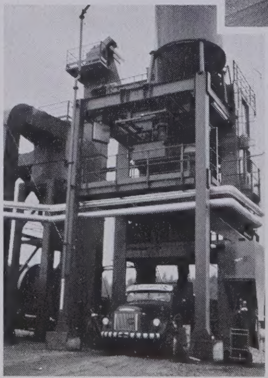
Activity at Barber-Greene Europa has been below our expectations. Although our new facility has been in operation for two years, we have not achieved our goals and are continuing our subcontracting of heavy structural components for Barber-Greene England. The closer integration of management with Barber-Greene England is expected to assist Barber-Greene Europa.

Barber-Greene Australia has been experiencing the highest level of sales in its history, with a particularly heavy backlog of ditcher and asphalt plant orders. Manufacturing is handled through local subcontractors.

Barber-Greene de Mexico has reverted to an inactive status, and we have completed a licensing agreement with Industria del Hierro S.A., of Mexico City, for marketing and manufacture of our equipment in Mexico. This new licensee is a fine company with an excellent reputation and outstanding facilities for production of our product line. They have already started production of Telsmith screens and will be producing Gyrasphere crushers after the first of the year. We anticipate that this new arrangement will greatly increase our sales in Mexico.

There has been continued growth in Telsmith licensee activity in England, France, South Africa, and Australia, with a substantial increase in South Africa. The royalties received on the manufacture and sales of crushers and other aggregate processing equipment has been significant.

Competing in the international market from U. S. and Canadian manufacturing sources is becoming more and more difficult, and we were fortunate to obtain a substantial increase in foreign business over last year, with the increase mainly from shipments by the subsidiaries (see graph on Page 14). Our increased production facilities, new products, and stronger marketing organization put us in an excellent position to further augment our effectiveness in the foreign market.

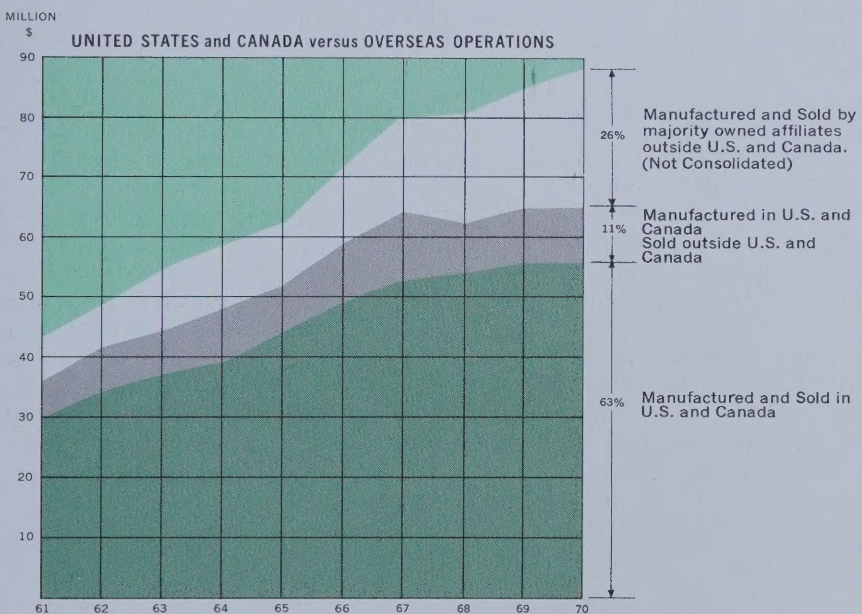


Scandinavia is another area where sales have increased substantially. Photo above shows three British-built Barber-Greene finishers working in eschelon on a 23-kilometer motorway in Denmark, largest paving contract ever awarded in that country. The same contractor, Colas Vejmateriale A/S, recently purchased the Batch-pac asphalt plant at left, also manufactured by Barber-Greene England.

TEN YEAR REVIEW IN THOUSANDS OF DOLLARS

YEAR	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
NET SALES	**$65,238**	$65,049	$62,413	$64,139	$59,044	$51,964	$47,963	$44,097	$41,440	$35,962
EARNINGS BEFORE INCOME TAXES	**661**	877	1,755	4,352	4,537	3,195	3,257	2,931	2,619	2,274
PROVISION FOR INCOME TAXES (4)	**142**	201	720	1,955	2,072	1,197	1,402	1,430	1,470	1,030
NET EARNINGS (4)	**593** (3)	676	1,035	2,397	2,465	1,998	1,855	1,501	1,149	1,244
CASH DIVIDENDS DECLARED (1)		1,015	1,014	999	905	905	796	760	760	760
STOCKHOLDERS' EQUITY (4)	**28,754**	28,161	28,500	28,368	26,692	25,132	24,039	22,980	22,239	22,273
WORKING CAPITAL (4)	**24,456**	24,592	25,474	25,298	21,309	21,924	23,228	18,577	18,102	15,223
NET PROPERTIES	**9,456**	10,932	10,869	11,247	11,036	10,323	10,222	10,201	10,338	10,454
ADDITION TO PROPERTIES	**683**	978	869	1,439	1,846	1,349	1,029	840	747	630
PROVISION FOR DEPRECIATION	**863**	883 (2)	1,228	1,218	1,120	1,040	940	921	920	845

(1) A 10% stock dividend was declared in 1966 in addition to the above cash dividend.
(2) Depreciation methods changed to straight line in 1969.
(3) Includes extraordinary credit of $74,875 resulting principally from sale of Canadian plant.
(4) Restated for retroactive tax adjustments applicable to 1967, 1966, 1965, and 1962 (See Note K to financial statements on page 13).



SEASONAL PATTERN OF ORDERS AND SHIPMENTS

Our products are concentrated in the handling and processing of bulk materials, and weather conditions limit the most active operating period for most of our customers to the months between early spring and late fall.

During our first fiscal quarter, our customers are completing their year's operations and have not yet crystallized their next year's planning. In our second quarter, orders are placed but often scheduled for spring delivery. Our third and fourth quarters are the most active season.

While we would prefer a steady demand, the seasonal variations give us a fall and early winter period to revise manufacturing techniques, build up inventory of the latest designs, and replenish dealer stocks.

BARBER-GREENE ®
Anticipating Tomorrow

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